

## Shareholder Assistance and Investor Information

## SECOND QUARTER REPORT JUNE 2014

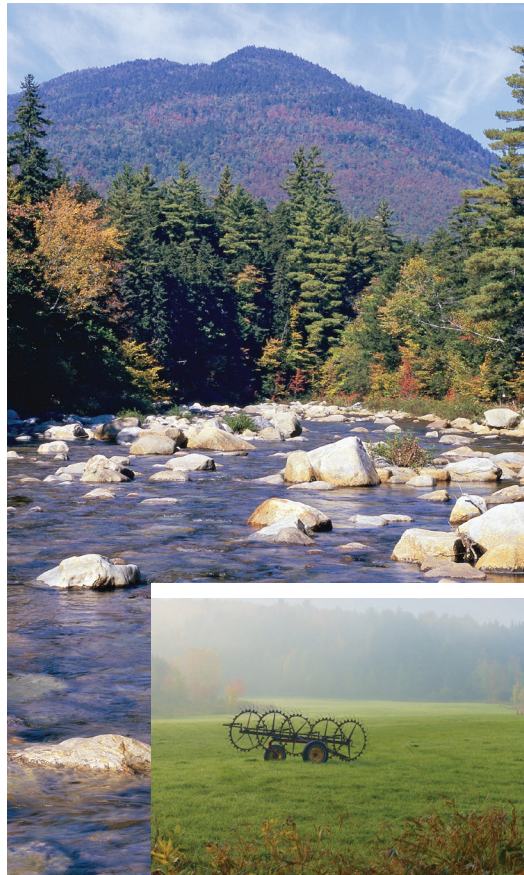
If you need assistance with a change in registration of certificates, combining your certificates into one, reporting lost certificates, non-receipt or loss of dividend checks, assistance regarding direct deposit of dividends, information about the Company, or to receive copies of financial reports, please contact Kristy Adams Alfieri, Assistant Secretary at 802-888-6600 or contact our Transfer Agent at the address and phone number listed below:

### TRANSFER AGENT:

Registrar & Transfer Company  
Attn: Stock Transfer Department  
10 Commerce Drive  
Cranford, NJ 07016  
Phone: 800-368-5948  
Fax: 908-497-2318  
E-mail: [info@rtco.com](mailto:info@rtco.com)

### NASDAQ STOCK MARKET

Ticker Symbol: UNB  
Corporate Name: Union Bankshares, Inc.  
Corporate Address:  
20 Lower Main Street  
PO Box 667  
Morrisville, VT 05661-0667  
Investor Relations: [www.UnionBankVT.com](http://www.UnionBankVT.com)



**Union Bankshares, Inc.**

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## to our SHAREHOLDERS

AUGUST 7, 2014

We are pleased to share your company's financial results for the second quarter of 2014. Net Income for the quarter was \$1.9 million, or \$0.43 per share, compared to \$1.8 million, or \$0.40 per share, for 2013, an increase of 6.8% quarter over quarter. Year to date earnings for 2014 were \$3.7 million, or \$.83 per share, compared to \$3.5 million, or \$.79 per share, for 2013, an increase of 4.2% year over year.

Total assets grew to \$571.5 million at the end of the second quarter 2014 as compared to \$546.7 million at the end of the same period in 2013. This represents 4.5% growth year over year. Total loans grew to \$462.2 million as of June 30, 2014 from \$449.4 million as of June 30, 2013, an increase of 2.9%. Total deposits reached \$490.9 million compared to the prior year of \$474.0 million, and increase of 3.6%. The Company had total capital of \$51.9 million with a book value per share of \$11.64 as of June 30, 2014 compared to \$45.8 million and \$10.27 per share at June 30, 2013.

Notable in year to date results is a \$435 thousand increase in net interest income coupled with a decrease of \$309 thousand in gain on real estate loans sold. While we have been fortunate to have a strong level of gains on real estate loans sold over the last few years, we have been seeking to rely less on this source of revenue and shift our focus to increasing "core" earnings by improving sustainable revenues and becoming more efficient. We are making progress in both areas.

When we last wrote at the end of the first quarter, many of us were wondering if there would be a maple sugar crop, as the sugaring season had barely begun. Most of the old timers counseled patience, and they were right, sap flowed during a couple of weeks in April and most maple producers ended up with an "average" crop. Good news for those who produce maple and good for the local economy as well.

Speaking of the economy, we are seeing continued improvement in many sectors. The local travel and tourism industry has been stringing several good seasons together including last fall and winter. This summer season has started off well allowing many businesses to begin to make up for the prolonged travel recession faced beginning in 2008, though there is still room for improvement.

Those who live nearby can attest that the road construction industry is booming. Morrisville in particular, is inundated by road improvement projects, from literally every direction coming into town. Home building is also fairly busy, with some geographies busier than others.

In general, there has been a tightening in the labor market which, though a bit painful for employers, tends to be a positive sign in the long term. There is still uncertainty as the economy

gradually improves. Not all parts of our footprint are recovering equally, and the real estate market is still not solid in all of the areas we serve. Fortunately, things seem to be going in the right direction, which is certainly helpful to the banking business.

We are pleased to let you know that we have opened our newest branch office in Lincoln, New Hampshire this June. Should you be in the area, be sure and stop by and see the great job our Facilities Manager Paul Grogan did coordinating the conversion of a pancake restaurant back into a bank.

Enclosed, please find a check or advice of deposit for a cash dividend of \$.26 per share. If you have not done so, please consider signing up for direct deposit of your dividend.

Sincerely,

Kenneth D. Gibbons  
Chairman

David S. Silverman  
President & Chief Executive Officer



## About Union Bankshares

Union Bankshares, Inc. operates as the holding company for Union Bank, which provides commercial, retail and municipal banking services and asset management services throughout northern Vermont and northwestern New Hampshire. Union Bank was founded in 1891 in Morrisville, Vermont, where the Bank's and its holding company's headquarters are located. Union Bank operates 17 banking offices, a loan center and multiple ATMs throughout its geographical footprint.

Union Bank is committed to the communities it serves, and encourages employee participation in community events and charitable services. Union Bank has consistently been recognized for our Community Reinvestment efforts and for our performance in residential lending to borrowers of all income levels. The US Small Business Administration has designated Union Bank as a Preferred Lender.



## Union Bankshares, Inc.

### DIRECTORS

Kenneth D. Gibbons - *Chairman*  
Cynthia D. Borck  
Steven J. Bourgeois  
John M. Goodrich  
Timothy W. Sargent  
David S. Silverman  
John H. Steel  
Schuyler W. Sweet  
Neil J. Van Dyke

### OFFICERS

Kenneth D. Gibbons - *Chairman*  
David S. Silverman - *President & CEO*  
Karyn J. Hale - *Chief Financial Officer*  
John H. Steel - *Secretary*  
Kristy Adams Alfieri - *Assistant Secretary*  
Jeffrey G. Coslett - *Vice President*

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Schuyler W. Sweet  
Neil J. Van Dyke

### REGIONAL ADVISORY BOARD MEMBERS

Michael R. Barrett - *St. Johnsbury*  
Joel S. Bourassa - *Northern NH*  
Steven J. Bourgeois - *St. Albans*  
Stanley T. Fillion - *Northern NH*  
Rosemary H. Gingue - *St. Johnsbury*  
Coleen K. Kohaut - *St. Albans*  
Justin P. Lavelly - *St. Johnsbury*  
Daniel J. Luneau - *St. Albans*  
Alexandra S. MacLean - *St. Johnsbury*  
Mary K. Parent - *St. Johnsbury*  
Samuel H. Ruggiano - *St. Albans*  
David S. Silverman - *All*  
Schuyler W. Sweet - *Northern NH*  
Norrine A. Williams - *Northern NH*

## Union Bank Offices

(ATMs at all Branch Locations)

### VERMONT

Danville	421 Route 2 East	802-684-2211
Fairfax	Jct. Routes 104 & 128	802-849-2600
Hardwick	103 VT Route 15 West	802-472-8100
Jeffersonville	44 Main Street	802-644-6600
Johnson	198 Lower Main Street	802-635-6600
Lyndonville	183 Depot Street	802-626-3100
Morrisville	20 Lower Main Street	802-888-6600
	65 Northgate Plaza	802-888-6860
St. Albans	15 Mapleville Depot	802-524-9000
St. Johnsbury	364 Railroad Street	802-748-3131
	325 Portland Street	802-748-3121
S. Burlington	Loan Center	
	30 Kimball Avenue	802-865-1000
Stowe	47 Park Street	802-253-6600

### NEW HAMPSHIRE

Groveton	3 State Street	603-636-1611
Littleton	263 Dells Road	603-444-7136
	76 Main Street	603-444-5321
Lincoln	135 Main Street	603-745-4000
N. Woodstock	155 Main Street	603-745-2488

## Consolidated Balance Sheets (unaudited, in thousands)

ASSETS	JUNE 30, 2014	JUNE 30, 2013
Cash and Due from Banks	\$4,154	\$3,977
Federal Funds Sold & Overnight Deposits	15,490	8,277
Interest Bearing Deposits in Banks	13,713	22,262
Investment Securities	50,001	37,032
Loans Held for Sale	6,662	4,460
Loans, net	455,583	444,914
Reserve for Loan Losses	(4,610)	(4,752)
Premises and Equipment, net	10,979	10,184
Other Real Estate Owned, net	200	644
Accrued Interest & Other Assets	19,316	19,676
<b>Total Assets</b>	<b>\$571,488</b>	<b>\$546,674</b>

LIABILITY & SHAREHOLDERS' EQUITY	JUNE 30, 2014	JUNE 30, 2013
Noninterest Bearing Deposits	\$81,140	\$79,888
Interest Bearing Deposits	290,980	266,176
Time Deposits	118,736	127,953
Borrowed Funds	24,759	20,178
Accrued Interest & Other Liabilities	3,986	6,685
Common Stock	9,858	9,852
Paid in Capital	404	331
Retained Earnings	44,769	42,077
Accumulated Other Comprehensive Income (Loss)	778	(2,588)
Treasury Stock at Cost	(3,922)	(3,878)
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$571,488</b>	<b>\$546,674</b>

Standby letters of credit were \$1,924,000 and \$2,053,000 at June 30, 2014 and 2013, respectively.

## Consolidated Statements of Income (unaudited, in thousands)

	JUNE 30, 2014	JUNE 30, 2013	JUNE 30, 2014	JUNE 30, 2013
	(3 months ended)		(6 months ended)	
Interest Income	\$6,184	\$6,079	\$12,296	\$12,016
Interest Expense	529	613	1,106	1,261
Net Interest Income	5,655	5,466	11,190	10,755
Provision for Loan Losses	75	75	150	135
Net Interest Income After Provision for Loan Losses	5,580	5,391	11,040	10,620
Trust Income	191	154	366	317
Noninterest Income	1,919	1,966	3,707	3,959
Noninterest Expenses:				
Salaries & Wages	2,194	2,235	4,441	4,392
Pension & Employee Benefits	703	638	1,370	1,321
Occupancy Expense, net	295	291	634	622
Equipment Expense	410	388	797	814
Other Expenses	1,668	1,670	3,217	3,252
Total	5,270	5,222	10,459	10,401
Income Before Taxes	2,420	2,289	4,654	4,495
Income Tax Expense	501	492	971	961
<b>Net income</b>	<b>\$1,919</b>	<b>\$1,797</b>	<b>\$3,683</b>	<b>\$3,534</b>
<b>Earnings per share</b>	<b>\$0.43</b>	<b>\$0.40</b>	<b>\$0.83</b>	<b>\$0.79</b>
<b>Book Value Per Share</b>			<b>\$11.64</b>	<b>\$10.27</b>

